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**BEFORE THE ARIZONA CORPORATION COMMISSION**

LEA MÁRQUEZ PETERSON  
Chairwoman

SANDRA D. KENNEDY  
Commissioner

JUSTIN OLSON  
Commissioner

ANNA TOVAR  
Commissioner

JIM O'CONNOR  
Commissioner

IN THE MATTER OF THE APPLICATION  
OF ARIZONA PUBLIC SERVICE  
COMPANY FOR APPROVAL OF ITS 2021  
RENEWABLE ENERGY STANDARD  
IMPLEMENTATION PLAN FOR RESET OF  
RENEWABLE ENERGY ADJUSTOR.

DOCKET NO. E-01345A-20-0199

DECISION NO. 78076

ORDER

Arizona Corporation Commission

**DOCKETED**

**JUN 24 2021**

**DOCKETED BY**

Open Meeting  
April 13 and 14, 2021  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Arizona Public Service Company ("APS" or "Company") is certificated to provide electric service as a public service corporation in the State of Arizona.

**BACKGROUND**

2. On July 1, 2020, APS filed its 2021 Renewable Energy Standard and Tariff Plan ("REST Plan" or "Plan").

3. In its REST Plan, APS has not proposed any new programs. The current programs are:

4. *Arizona Goes Solar Website*

The Arizona Goes Solar website helps to create awareness of the incentives for

1 residential and commercial solar projects, and provides a publicly accessible source for up-to-date  
2 information on solar and distributed energy resources. Although APS maintains the website, it  
3 contains information for all the major utilities in the state of Arizona.

4           5.       *APS Solar Communities*

5                       Pursuant to Decision No. 76295 (August 18, 2017), APS created its APS Solar  
6 Communities program for limited- and moderate-income residential customers, as well as non-profit  
7 commercial customers serving limited-income populations, Title I schools, and rural government  
8 customers. The Decision required APS invest between \$10 million and \$15 million annually over  
9 the years 2018, 2019, and 2020, with no less than 65 percent of the annual program expenditures  
10 being allocated to residential installations.  
11

12                       Under the program, customers who may not have considered solar as an option were  
13 able to have a solar project installed and receive a \$30 credit on their bill each month for 20 years,  
14 provided that the solar panels remained on the property. APS owned the generation and retained the  
15 renewable energy credits under the program.  
16

17           6.       *Green Choice Program*

18                       The Company's Green Choice Program was created for residential and commercial  
19 customers that want to combine sustainability with affordability. Under the program, a customer is  
20 able to purchase a specific amount of energy, or a percentage of their monthly usage, from the  
21 Company that has been generated by a renewable resource.  
22

23           7.       *Production-Based Incentives*

24                       From 2009 to 2013, APS implemented annual production-based incentive ("PBI")  
25 programs for non-residential customers deploying distributed generation resources at commercial  
26 sites and connecting them to the APS service territory. PBIs are paid on a cents per kWh basis for  
27 actual solar generation over the length of the contracts.  
28

1  
2 8. In addition, the REST Plan included the following:

- 3 a. Summary information regarding the amount of renewable generation on  
4 APS's system and its progress toward compliance with the Renewable Energy  
5 Standard ("RES");  
6 b. A request for waiver under Arizona Administrative Code ("A.A.C.") R14-2-  
7 1816 of the residential distributed energy requirement contained in A.A.C.  
8 R14-2-1805;  
9 c. A request to continue the Green Choice Program;  
10 d. Estimated budgets for 2021 through 2025; and  
11 e. A request for funds to support the limited- and moderate-income solar  
12 programs approved in the Company's last rate case.

13 9. In its REST Plan, APS requested approval of a budget of \$84.7 million for 2021,  
14 including \$73.5 million that would be collected through the RES adjustor ("REAC-1") in 2021. In  
15 2020, the Commission ordered to keep the amount collected by the RES adjustor unchanged from  
16 the \$60.3 million approved in the 2019 REST Plan (Decision No. 77762).

17 10. The Company currently has six REAC-1 customer categories as shown in Tables 1  
18 and 2 below. The current categories are residential, extra small commercial, small commercial,  
19 medium commercial, large commercial, and industrial. REAC-1 adjustor charges are applied based  
20 on kilowatt-hour ("kWh") usage, with a monthly cap for each of the categories. Customers who  
21 installed a Distributed Generation ("DG") system and received an incentive after July 1, 2012, and  
22 customers who installed a DG system and interconnected with APS after February 1, 2013,  
23 regardless of incentive, pay the average charge for the relevant customer classification. The  
24 Company proposed an adjustment to REAC-1 increasing both the monthly RES adjustor caps and  
25 kWh charge.  
26  
27  
28

**Table 1: Current Schedule REAC-1**

	Residential	Extra Small Commercial (≤ 20 kW)	Small Commercial (21 – 100 kW)	Medium Commercial (101 – 400 kW)	Large Commercial (401 – 3,000 kW)	Industrial (> 3,000 kW)
\$/kWh	\$0.005712					
Cap	\$2.28	\$84.86		\$142.80	\$285.60	\$1,856.40
Average	\$1.99	\$4.77 Minimum Charge	\$23.85 Minimum Charge	\$115.27	\$225.80	\$1,856.40

**Table 2: APS Proposed Schedule REAC-1**

	Residential	Extra Small Commercial (≤ 20 kW)	Small Commercial (21 – 100 kW)	Medium Commercial (101 – 400 kW)	Large Commercial (401 – 3,000 kW)	Industrial (> 3,000 kW)
\$/kWh	\$0.006888					
Cap	\$2.76	\$102.34		\$172.20	\$344.40	\$2,238.60
Average	\$2.32	\$5.75 Minimum Charge	\$28.76 Minimum Charge	\$150.10	\$321.01	\$2,238.60

11. According to the Company, it will not meet the residential DG target for 2021, as prescribed under A.A.C. R14-2-1805(A). This rule requires companies to satisfy a Distributed Renewable Energy Requirement by obtaining Renewable Energy Credits (“RECs”) for distributed renewable energy resources. In the past, utilities have received RECs from residential DG resources by paying up-front incentives to the owner of the renewable resource. In Decision No. 73636, the Commission phased out incentives for residential DG programs. As a result, the Company has indicated that it will be unable to meet the residential DG targets going forward and has requested a full and permanent waiver of the residential DG requirement contained in A.A.C. R14-2-1805.

12. Table 3 below shows a forecasted REST production for 2021. The forecast for residential DG of 290,470 Megawatt-hours (“MWh”) does not meet the requirement of 479,265 MWh. While the Company will not meet the residential DG target for 2021, it projects to be in compliance with non-residential DG targets through 2021.

**Table 3: Renewable Energy Standard Program Summary (in MWh)**

	2021 Requirement	2021 Forecasted Production	2022 Requirement	2022 Forecasted Production
Residential DG	479,265	290,470	535,590	290,182
Non-Residential DG	479,265	494,868	535,590	505,784
<b>Total DG</b>	<b>958,529</b>	<b>785,339</b>	<b>1,071,180</b>	<b>795,966</b>
Renewable Generation	2,236,568	2,579,713	2,499,421	2,602,864
<b>Total for RES Compliance</b>	<b>3,195,097</b>	<b>3,365,052</b>	<b>3,570,601</b>	<b>3,398,830</b>

The 2021 REST Plan is requesting a budget of \$84.7 million to meet previously approved commitments. These commitments include Power Purchase Agreements (“PPAs”), Production-Based Incentives (“PBIs”), and the financial needs of previously approved initiatives currently being implemented. The 2021 budget represents a \$1.6 million reduction from the Company’s 2020 proposed budget.

13. As indicated in Table 4 below, the REST Plan proposes to collect \$73.5 million through REAC-1. There are \$11.3 million in budget offsets that are applied to the 2021 budget, including \$6 million collected through base rates, \$4.3 million in rollover funds from prior years, and \$1 million in revenue from the Green Choice Program.

**Table 4: 2021 APS-Proposed Budget (\$ millions)**

Line No.		2021 APS- Proposed Budget	Approved 2020 Budget	2020 Actual Expense <sup>1</sup>
1	Renewable Generation			
2	<b><i>Renewable Generation Contracts and O&amp;M</i></b>			
3	Purchases and Generation	\$ 39.7	\$ 39.3	\$ 39.5
4	Administration	\$ 0.7	\$ 0.7	\$ 0.5
5	Implementation	\$ 0.9	\$ 0.9	\$ 0.8
6	<b><i>Total Renewable Generation</i></b>	<b>\$ 41.3</b>	<b>\$ 40.8</b>	<b>\$ 40.8</b>
7				
8				
9	Customer Sited Distributed Energy			
10	<b><i>Existing Contracts and Commitments</i></b>			
11	DE RFP	\$ 5.0	\$ 4.6	\$ 4.1
12	Production-Based Incentives	\$ 17.4	\$ 20.1	\$ 19.0

<sup>1</sup> Expense figures are estimated. The final 2020 expense numbers will be provided in the 2020 REST Compliance Report by April 1, 2021.

13	Schools and Government Program Incentives	\$ 7.7	\$ 7.2	\$ 7.8
14	APS Solar Communities (AZ Sun II)	\$ 4.5	\$ 4.6	\$ (1.2)
15	<b>Total Existing Contracts and Commitments</b>	<b>\$ 34.5</b>	<b>\$ 36.6</b>	<b>\$ 29.7</b>
16				
17				
18	<b>Administrative DE Costs</b>			
19	Administration	\$ 0.7	\$ 0.7	\$ 0.6
20	Implementation	\$ 7.5	\$ 7.5	\$ 6.7
21	Information Technology	\$ 0.5	\$ 0.5	\$ 0.8
22	Educational Outreach: Non-Incentive Costs	\$ 0.1	\$ 0.1	\$ --
23	<b>Total Administrative DE Costs</b>	<b>\$ 8.8</b>	<b>\$ 8.8</b>	<b>\$ 8.1</b>
24				
25	<b>Total Customer Sited DE (line 15 + line 23)</b>	<b>\$ 43.4</b>	<b>\$ 45.4</b>	<b>\$ 37.8</b>
26				
27	<b>Total RES Budget (line 6 + line 25)</b>	<b>\$ 84.7</b>	<b>\$ 86.3</b>	<b>\$ 78.6</b>
28				

## STAFF ANALYSIS AND RECOMMENDATIONS

### *Extension of the Green Choice Program*

14. Since the revenues collected in the Green Choice Program are used to offset the budget funds that must be collected through the RES adjustor, the positive impacts of this program are twofold. It allows those who choose to contribute to green energy programs the ability to meet their individual environmental goals and objectives, while reducing the total RES adjustor burden on other ratepayers. Staff recommends the extension of the Green Choice Program.

### *WattPlan*

15. While the Arizona Goes Solar website was migrated to a new platform in 2019, the Company is not seeking any additional funds to support the website in 2021. However, the Company requests \$125,000 in 2021 to make available to its customers an online solar tool, WattPlan, from Clean Power Research. This tool is available for utility customers across the country as well as Tucson Electric Power and Salt River Project customers in Arizona.

16. Staff supports the decision to integrate WattPlan within the APS.com website, which will allow its customers access to the tool via a single login, and recommends approval of the funds necessary to make it accessible to APS customers.

*Changes to the RES Adjustor Schedule*

17. APS has proposed a 2021 REST Plan budget that is \$1.6 million less than the prior year. As filed, the Company's Plan identified \$4.3 million in rollover funds to offset the base budget; however, the Company estimates that \$9.4 million remained in unallocated funds on February 28, 2021 and Staff recommends that this balance be used to offset the 2021 base budget.

**Table 5: Proposed RES Surcharge Collection (\$ millions)**

	APS-Proposed	Staff-Proposed
<b>Total RES Budget</b>	<b>\$ 84.7</b>	<b>\$ 84.7</b>
Base Rates	\$ (6.0)	\$ (6.0)
Production Tax Credits	\$ --	\$ --
Estimated Green Choice Revenue Credit	\$ (1.0)	\$ (1.0)
Previous Years Rollover Funds	\$ (4.3)	\$ (9.4)
<b>RES Surcharge Collection</b>	<b>\$ 73.5</b>	<b>\$ 68.3</b>

18. The application of \$9.4 million in rollover funds toward the 2021 base budget results in a \$68.3 million RES surcharge collection and the recommended schedule REAC-1, shown in Table 6 below. For residential customers, the impact of Staff-recommended Schedule REAC-1 would be limited to no more than 28 cents per month.

**Table 6: 2020 Staff Recommended Schedule REAC-1**

	Residential	Extra Small Commercial (≤ 20 kW)	Small Commercial (21 – 100 kW)	Medium Commercial (101 – 400 kW)	Large Commercial (401 – 3,000 kW)	Industrial (> 3,000 kW)
\$/kWh	\$0.006403					
Cap	\$2.56	\$95.13		\$160.08	\$320.15	\$2,080.98
Average	\$2.19	\$5.35 Minimum Charge	\$26.73 Minimum Charge	\$139.54	\$298.41	\$2,080.98

19. Staff recommends approval of the proposed REST budget of \$84.7 million as discussed herein.



*Residential DG Carve-Out Waiver*

20. In Decision No. 73636, the Commission phased out up-front incentives for DG. Once incentives were no longer granted for DG, the Company ceased to receive the RECs associated with any energy produced by DG interconnected to the system. As a result, the Company's progress in achieving its DG carve-out goals have remained stagnant while non-incentivized DG interconnections have experienced steady growth, and if these RECs were to be counted, APS would be compliant with all REST goals through 2021.

21. Staff recommends the granting of a waiver of the residential portion of the Distributed Renewable Energy Requirement contained in A.A.C. R14-2-1805(A-D) as allowed under A.A.C. R14-2-1816 for 2021.

*Compliance*

22. Having reviewed the Company's compliance report filed with the Commission on April 1, 2020, the REST Plan filed on July 1, 2020, and other applicable information, Staff concludes that APS has not used any RECs not owned by the Company to comply with the Commission's REST rules in 2020.

23. Pursuant to A.A.C. R14-2-1812, APS is required to file an annual compliance report. Staff recommends that APS continue to file its annual REST compliance report in Docket No. E-00000R-16-0084.

CONCLUSIONS OF LAW

1. Arizona Public Service Company is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over Arizona Public Service Company and over the subject matter in the application.

3. The Commission, having reviewed Arizona Public Service Company's application and Staff's Memorandum dated March 19, 2021 concludes that it is in the public interest to approve Arizona Public Service Company's 2021 REST Plan and the REST Plan budget as discussed herein.

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ORDER

IT IS THEREFORE ORDERED that that the proposed REST budget of \$84.7 million is approved.

IT IS FURTHER ORDERED that that the RES adjustor rate and monthly caps be set to collect \$68.3 million, as shown in Table 6.

IT IS FURTHER ORDERED that Arizona Public Service Company is granted a waiver of A.A.C. R14-2-1805(A-D) for 2021.

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IT IS FURTHER ORDERED that Arizona Public Service Company continue to file its annual REST compliance reports in Docket No. E-00000R-16-0084.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**

**DISSENT**

CHAIRWOMAN MÁRQUEZ PETERSON

COMMISSIONER KENNEDY

**DISSENT**

COMMISSIONER OLSON

COMMISSIONER TOVAR

COMMISSIONER O'CONNOR



IN WITNESS WHEREOF, I, MATTHEW J. NEUBERT, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 24 day of June, 2021.

MATTHEW J. NEUBERT  
EXECUTIVE DIRECTOR

DISSENT:

DISSENT:

EOA:PWM:tmb/MAS

1 Arizona Public Service Company  
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13 **Consented to Service by Email**

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